

**BATON ROUGE AIDS SOCIETY**  
(a Non-Profit Organization)

**Independent Auditor's Report and Financial Statements**  
For the Year Ended December 31, 2005

**Deemer CPA and Consulting Services, LLC**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-16-06

**Baton Rouge AIDS Society  
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**Independent Auditor's Report**

**To the Board of Directors of Baton Rouge AIDS Society:**

I have audited the accompanying statement of financial position of Baton Rouge AIDS Society (a non-profit organization) (hereinafter referred to as BRASS) as of December 31, 2005, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of BRASS management. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge AIDS Society and the results of operations and its cash flows for the year then ended December 31, 2005, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated July 27, 2006 on my consideration of Baton Rouge AIDS Society's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contract, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements of BRASS taken as a whole. The schedule of functional expenses is presented on page 9 for purposes of additional analysis and is not a required part of the financial statements of the organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Deemer CPA and Consulting Services, LLC*  
New Orleans, Louisiana  
July 27, 2006

**Baton Rouge AIDS Society  
Statement of Financial Position  
As of December 31, 2005**

**Assets**

Cash	\$ 16,884
Grant Receivable	16,089
Outreach Inventory	4,100

**Fixed Assets**

Property and Equipment	84,957
Accumulated Depreciation	<u>(39,519)</u>

**Total Fixed Assets (Net)** 45,438

**Total Assets** \$ 82,511

**Liabilities and Net Assets**

Accrued Liabilities	\$ 11,353
Payroll Liabilities	<u>3,244</u>

**Total Liabilities** 14,597

**Net Assets**

Unrestricted 67,914

**Total Net Assets** 67,914

**Total Liabilities and Net Assets** \$ 82,511

The accompanying notes are an integral part of these financial statements

**Baton Rouge AIDS Society**  
**Statement of Activities**  
**For the Year Ended December 31, 2005**

	<u>Unrestricted</u>
<b>Revenues</b>	
Grant revenue	\$ 572,121
Contributions	<u>121,306</u>
<b>Total revenues</b>	<u>693,427</u>
<b>Expenses</b>	
Program Services	\$ 692,963
Support Services	<u>26,758</u>
<b>Total Expenses</b>	<u>719,721</u>
<b>Change In Net Assets</b>	\$ (26,294)
<b>Net Assets At Beginning Of Year</b>	<u>94,208</u>
<b>Net Assets At End Of Year</b>	<u><u>\$ 67,914</u></u>

The accompanying notes are an integral part of these financial statements.

**Baton Rouge AIDS Society**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2005**

**Cash Flows From Operating Activities:**

Changes in Net Assets	\$ (26,294)
Adjustments to Reconcile Net Revenues over Expenditures to Net Cash Provided by Operating Activities	
Depreciation Expense	19,401
Changes in Operating Assets and Liabilities	
Grant Receivable	(6,960)
Outreach Inventory	(300)
Accounts Payable	1,359
Payroll Liabilities	170
Deferred Revenue	(55,000)
Net Cash Provided by Operating Activities	(67,624)

**Cash Flows From Investing Activities:**

Net Cash Provided by Investing Activities	0
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**Cash Flows From Financing Activities:**

Net Cash Provided by Financing Activities	0
Net Cash Decrease for Period	(67,624)
Cash, At Beginning of Period January 1, 2005	84,508
Cash, At End of Period December 31, 2005	<u>\$ 16,884</u>

The accompanying notes are an integral part of these financial statements.

**Baton Rouge AIDS Society**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2005**

**1. Summary of Significant Accounting Principles**

**General** - Baton Rouge AIDS Society is a non-profit corporation organized under the laws of the State of Louisiana. Its mission is to provide positive community responses to people affected by HIV/AIDS and reduce the spread of HIV/AIDS through education and testing in the Baton Rouge and surrounding area. The agency's operations are funded primarily through federal and state grants.

**Basis of Accounting** - BRASS's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Equipment** - Improvements which significantly extend the useful life of an asset and purchases of equipment are capitalized. The straight line method of depreciation is used for the assets owned by BRASS. The estimated useful lives of these assets range from 3 to 10 years.

**Income Taxes** - BRASS has been determined to be tax exempt under Section 501 (c) 3 of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

**Cash** - Cash is comprised of cash on hand and in banks.



**2. Net Assets** - A description of the three types of Net Assets categories is described below:

Unrestricted net assets are comprised of funds without donor-imposed restrictions. The revenues received by BRASS and expenses incurred are included in this category.

Temporarily restricted net assets include income, gifts, and contributions which have temporary restrictions that have not been met.

Permanently restricted net assets include income, gifts, and contributions which have donor-imposed restrictions to be invested in perpetuity and only the income from those investments can be made available for program operations.

As of December 31, 2005, BRASS had unrestricted net assets, however there were no temporarily or permanently restricted net assets.

**3. Property and Equipment**

Property and Equipment consisted of the following at December 31, 2005:

Equipment and Office Furniture	\$41,209
Computer Software and Licensing	43,748
Less: Accumulated Depreciation	<u>(39,519)</u>
<b>Total Property and Equipment</b>	<b><u>\$ 45,438</u></b>

Current year depreciation expense was recorded at \$19,401.

**4. Grants Receivable**

As of December 31, 2005 grants receivable consists of the following:

Office of Public Health	<u>\$16,089.00</u>
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**5. Outreach Inventory**

Inventory consists of outreach supplies which were donated to BRASS. The carrying value is estimated based on the fair market value of the items donated.

## **6. Lease Obligations**

The agency entered into a new lease in October 2005 for additional office space and certain office equipment at a cost of \$1,200 each month. Total rent expense is recorded at \$ 16,008 for the year ended December 31, 2005.

## **7. Economic Dependency**

BRASS receives its funding primarily from federal and state grants. The agency had two main funding sources in 2005, U.S. Department of Education and State of Louisiana Office of Public Health. The continuance of this program is dependent upon the agency's ability to gain renewal of contracts and grants as well as to obtain new funding.

## **8. In-Kind Donations**

The agency utilizes a mobile classroom unit at a public school without charge. In-kind contributions and an offsetting rent expense of \$1,500 is recorded in the accompanying financial statements.

## SUPPLEMENTAL INFORMATION

**Baton Rouge AIDS Society**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2005**

	<b>Program Services</b>		<b>Support Services</b>	<b>Total</b>
	<b>Education</b>	<b>Outreach</b>		
Compensation	\$ 51,396	\$ 272,304	\$ -	\$ 323,700
Payroll Tax Expense	4,155	23,888	0	28,043
Contractual Services	0	130,712	0	130,712
Licenses and Permits	0	355	0	355
Insurance	0	394	0	394
Advertising	2,808	140	0	2,948
Equipment Rental	0	6,863	288	7,151
Rent Expense	3,392	12,616	0	16,008
Supplies	31,083	38,315	950	70,348
Alarm Expense	162	1,364	0	1,526
Bank Service Charge	424	224	282	930
Postage and Delivery	55	0	39	94
Printing and Reproduction	882	6,538	0	7,420
Repairs and Maintenance	0	1,342	0	1,342
Professional Development	195	5,644	0	5,839
Professional Fees	0	50,318	2,815	53,133
Telephone	5,578	8,470	801	14,849
Utilities	0	4,221	160	4,381
Depreciation	0	0	19,401	19,401
Dues and Subscriptions	2,498	175	200	2,873
Travel and Meetings	7,264	7,128	470	14,862
Miscellaneous	4,205	7,855	1,352	13,412
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<b>Total Expenses</b>	<b>\$ 114,097</b>	<b>\$ 578,866</b>	<b>\$ 26,758</b>	<b>\$ 719,721</b>

See Independent Auditor's Report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Baton Rouge AIDS Society, Inc.

I have audited the financial statements of Baton Rouge AIDS Society, Inc. (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued my report thereon dated July 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Baton Rouge AIDS Society, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Baton Rouge AIDS Society's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A Reportable condition is described in the accompanying schedule of findings and questioned costs as item 005-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baton Rouge AIDS Society Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as 005-01.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Deemer CPA and Consulting Services, LLC*  
New Orleans, Louisiana  
July 27, 2006

**Baton Rouge AIDS Society, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2005**

**005-01 – Program Participants Sign-In Logs Unavailable**

**Criteria:**

The Department of Education issued a grant to the Baton Rouge AIDS Society, Inc. which stipulates that a certain number of clients be served in specific areas of education by the organization.

**Condition:**

Client sign-in logs for this program could not be located.

**Effect:**

Specific dates and frequency of attendance by each program participant could not be provided.

**Recommendation:**

Adequate policies and procedures relating to maintenance of records should be adopted and fully implemented at Baton Rouge AIDS Society.

**Baton Rouge AIDS Society  
Status of Prior Year Findings  
For the Year Ended December 31, 2005**

	Unresolved	Resolved	Partially Resolved
03-01 Cash Management requirements		X	
03-02 Lack of Timely Audit	X		
03-03 Lack of Segregation of Duties	X		
03-05 Lack of Compliance with Established Internal Control Procedures			X
03-06 Lack of appropriate payment for employee's health insurance		X	
04-01 Fixed Assets Detail Not Maintained		X	
04-02 Credit Card Purchases	X		





## BATON ROUGE AIDS SOCIETY

*"Testing & Training Center"*

P.O. Box 66536, Baton Rouge, LA 70896

4550 North Blvd. Suite 101, Baton Rouge, LA 70806

Phone: 225-923-AIDS, Fax: 225-926-STDS, Email: AIDS102@AOL.COM

Website: [www.batonrougeaidsociety.com](http://www.batonrougeaidsociety.com)

August 3, 2006

Office of the Legislature Auditor  
1500 North 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

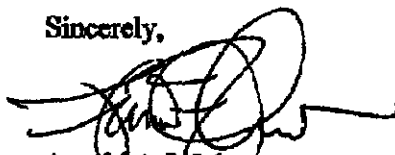
To Whom It May Concern:

The following is a corrective active plan for the findings noted in the December 2005 audit:

1. Agency maintained adequate attendance records in prior year and currently maintains adequate records. However, program director departed agency in fiscal year 2005. The program director did not leave amicably and we were unable to locate attendance records during her tenure. However, the new program director has all attendance records up to date.
2. The agency contracted with independent accountant towards the end of fiscal year 2005 which caused a delay in the complete preparation of financials.
3. There was a transition in the 4<sup>th</sup> qtr of 2005 to segregate duties in the agency. It was not until 2006 that duties were fully segregated. The agency was not able to do so in 2005 because of budget constraints.
4. In its efforts to segregate duties and replacement of previous program director, the agency did not comply with some control procedures. The agency has fully met control procedures in fiscal year 2006.

Thank you for your consideration and we look forward to an enhanced report during 2006.

Sincerely,



Arnold A.J. Johnson  
CEO/Founder